
How to Use This Guide

Purpose

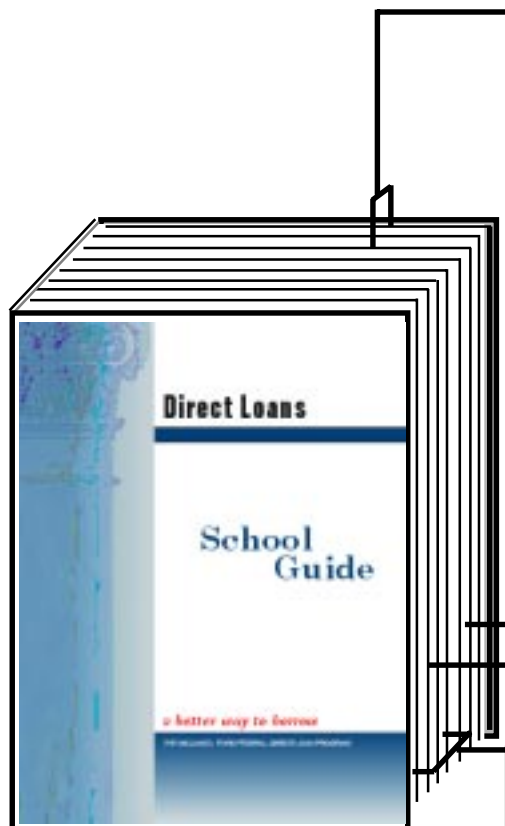
The primary purpose of the *Direct Loan School Guide* is to provide guidance to schools that participate in the Direct Loan Program. It provides detailed information about how the Direct Loan Program operates and on Direct Loan policies and procedures.

Some parts of the guide offer recommended ways to help schools meet responsibilities they take on when they sign a Direct Loan amendment to their Title IV Program Participation Agreement with the U.S. Department of Education (ED). Other parts of the guide describe federal laws and requirements in regulations.

Because the Direct Loan Program relies on extensive electronic reporting between schools and ED, this edition of the *Direct Loan School Guide* emphasizes the need for an effective and efficient electronic-management system, including:

- ❖ maintaining accurate, well-organized records,
- ❖ using automated systems successfully,
- ❖ submitting required reports in an accurate and timely manner,
- ❖ complying with federal laws and regulations, and
- ❖ providing quality service to student and parent borrowers.

What This Guide Contains



The **appendices** are designed to supplement the information presented in the main chapters of the *Direct Loan School Guide*.

- **Appendix A** pulls together important Direct Loan Program contacts and information sources.
- **Appendix B** provides a comprehensive glossary of terms and acronyms related to the Direct Loan Program.
- **Appendix C** contains the entire text of the Direct Loan Program regulations (34 CFR 685), which govern what borrowers, schools, and ED must do to participate in the program.
- **Appendix D** consists of ED's *Quality Assurance Planning Guide*, an optional tool schools can choose to use as they set up the Direct Loan Program's required quality assurance system.
- **Appendix E** details ED's electronic capability requirements for schools that participate in federal Title IV student aid programs, including the Direct Loan Program.
- The **Index** helps you locate information quickly in the *Direct Loan School Guide*.

Part One: The Program (Chapters 1 - 3) describes components of the Direct Loan Program and the responsibilities of borrowers (both students and parents), schools, and ED.

1. **Overview of the Direct Loan Program** delineates the types of Direct Loans and the general responsibilities of the various participants in the Direct Loan Program.
2. **Basic Components of Direct Loans** details the features of each type of Direct Loan, such as borrowing limits, interest rates, deferment options, and repayment options.
3. **Direct Loan Program Participant Responsibilities** explains who does what when in the Direct Loan Program. It also addresses the effect of loan defaults.

Part Two: The Process (Chapters 4 - 12) describes how schools perform specific functions in the Direct Loan Program.

4. **Participating in the Direct Loan Program** details how schools apply to take part in the Direct Loan Program, the three loan origination options, and management considerations for Direct Loan schools.
5. **Establishing Borrower Eligibility for Direct Loans** defines when students and parents are eligible for Direct Loans and how a school determines that eligibility criteria are met.
6. **Direct Loan Origination, Disclosure Statements, and Master Promissory Notes** outline procedures for originating Direct Loans and handling promissory notes.
7. **Drawing Down and Disbursing Direct Loan Funds** discusses how Standard Origination schools, Origination Option 1 schools, and Origination Option 2 schools interact with ED to determine need for Direct Loan funds, request drawdown of funds, and disburse funds to students.
8. **Change Records and Loan Adjustments** covers the range of adjustments schools can make to Direct Loans.
9. **Reconciling Direct Loans** details the procedures involved in monthly reconciliation and year-end closeout of Direct Loan funds.
10. **Cash Management Issues for Direct Loan Schools** examines the procedures schools follow to properly maintain Direct Loan funds and handle any excess cash.
11. **Student Status Confirmation Report (SSCR)** gives information about scheduling and processing reports on student borrowers' enrollment status.
12. **Servicing Direct Loans** explains the role of the Direct Loan Servicing Center (DLSC) in collecting Direct Loans from borrowers.

Using the *Direct Loan School Guide*

The clear, two-column format allows schools to use the *Direct Loan School Guide* to perform several functions. For example, it can serve as a:

- ❖ training guide for new employees (especially in conjunction with ED's Direct Loan Overview Workshop and its Participant's Guide),
- ❖ reference guide for any employee, and
- ❖ basis for the school's Direct Loan Program policies and procedures manual.

The wide inside column contains text, charts, and example boxes. The narrower outside margin refers readers to supplemental sources (regulations, Web sites, and other ED publications) about topics in the text. These margin notes use the following easily identifiable icons:



Take a Look

Refers readers to other sections in the *Direct Loan School Guide*.



Laws & Regulations

Provides citations.



For Your Information

Offers sidebar information.



Where to Call

Presents important telephone numbers.



Web Site

Lists pertinent Internet addresses.



Reference

Lists related ED publications.



From the Archives

Gives historical background.

Two notes:

- ❖ Regardless of how a school uses the guide, it is only a guide and does not replace federal laws and regulations. School personnel remain responsible for familiarizing themselves with all relevant primary source documents.
- ❖ This edition of the *Direct Loan School Guide* is written on the basis of laws, regulations, policies, and procedures in effect for the 1999-2000 award year. Schools should be aware, however, that these are subject to change. It is a school's responsibility to be aware of any such changes and remain in compliance with current rules.

